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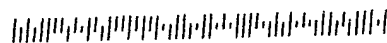


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| APPLICATION NO. | FILING DATE | FIRST NAMED INVENTOR | ATTORNEY DOCKET NO. | CONFIRMATION NO. |
|-----------------|-------------|----------------------|---------------------|------------------|
| 09/870,199 | 05/29/2001 | Roger Hoffman | P/2-96 | 7864 |

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500 Old Country Road
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EXAMINER

BOYCE, ANDRE D

ART UNIT PAPER NUMBER

3623

DATE MAILED: 04/21/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

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Office Action Summary

Application No.

09/870,199

Applicant(s)

HOFFMAN, ROGER

Examiner

Andre Boyce

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 29 May 2001.
2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-10 is/are pending in the application.
4a) Of the above claim(s) _____ is/are withdrawn from consideration.
5) ☐ Claim(s) _____ is/are allowed.
6) ☒ Claim(s) 1-10 is/are rejected.
7) ☐ Claim(s) _____ is/are objected to.
8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____.
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: _____.

DETAILED ACTION

1. Claims 1-10 have been examined.

Drawings

2. The subject matter of this application admits of illustration by a drawing to facilitate understanding of the invention. Applicant is required to furnish a drawing under 37 CFR 1.81(c). No new matter may be introduced in the required drawing. Each drawing sheet submitted after the filing date of an application must be labeled in the top margin as either "Replacement Sheet" or "New Sheet" pursuant to 37 CFR 1.121(d).

Claim Objections

3. Claim 2 is objected to because of the following informalities: the Examiner believes "reordered" should be --rescheduled--, based upon the specification and claim 7. Appropriate correction is required.

Claim Rejections - 35 USC § 101

4. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

5. Claims 1-10 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The basis of this rejection is set forth in a two-prong test of:

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(1) whether the invention is within the technological arts; and

(2) whether the invention produces a useful, concrete, and tangible result.

For a claimed invention to be statutory, the claimed invention must be within the technological arts. Mere ideas in the abstract (i.e., abstract idea, law of nature, natural phenomena) that do not apply, involve, use, or advance the technological arts fail to promote the "progress of science and the useful arts" (i.e., the physical sciences as opposed to social sciences, for example) and therefore are found to be non-statutory subject matter.

Independent claim 1 is merely a database, including non-functional descriptive material, and is deemed to be software per se, thus non-statutory. In addition, for a process claim to pass muster, the recited process must somehow apply, involve, use, or advance the technological arts. In the present case, independent claim 6, including the recited steps of inputting into a computer database a product schedule, inputting into the database new orders, etc. is a nominal recitation of technology, which does not overcome the rejection.

Additionally, for a claimed invention to be statutory, the claimed invention must produce a useful, concrete, and tangible result. In the present case the claimed invention matches new orders with the product schedule, thereby producing a useful, concrete, and tangible result, but not within the technological arts as explained above.

Claim Rejections - 35 USC § 103

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

7. Claims 1, 2, 5-7, and 10 are rejected under 35 U.S.C. 103(a) as being unpatentable over Smirnov et al (USPN 6,321,133), in view of Kaneko et al (USPN 4,958,292).

As per claim 1, Smirnov et al disclose a system for bundling orders (i.e., determination of whether or not an additional similar job may be processed, wherein jobs are grouped into buckets, column 4, lines 54-58 and column 13, lines 56-60) comprising; a database (i.e., model 144 organized as a database, column 12, lines 37-40 and column 11, lines 59-61); said database comprising information relating to a production schedule and new ordered products (i.e., scheduler 148 providing scheduling information and new orders 140, column 12, lines 40-44); and said system comparing said new ordered product to said scheduled products (i.e., determining the effect of loading a particular manufacturing process with additional new orders, column 12, lines 55-57). Smirnov does not explicitly disclose determining whether said new orders and said scheduled products can be bundled. Kaneko et al disclose determining the number of new products to be added to the planned number of products in order to fulfill the restraint conditions (i.e., bundling of

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orders, column 9, lines 23-26 and column 18, lines 19-31). Both Smirnov et al and Kaneko et al are concerned with bundling products during production, in order to lower the product cost, therefore it would have been obvious to one having ordinary skill in the art at the time the invention was made to include determining whether said new orders and said scheduled products can be bundled in Smirnov et al, as seen in Kaneko et al, as an efficient means of planning the production schedule of a mixed product line, as disclosed by Kaneko et al (column 6, lines 38-44).

As per claim 2, Smirnov et al disclose said production schedule is reordered after bundling said new orders (i.e., reschedule command 150 in response to order 140, column 12, lines 40-46).

As per claim 5, Smirnov et al disclose said system determines bundling of said orders based on greatest cost savings (i.e., determining the subset of N jobs that will maximize the value at the lowest cost, column 13, lines 41-44).

As per claim 6, Smirnov et al disclose a method for bundling orders for same product or a similar product (i.e., determination of whether or not an additional similar job may be processed, wherein jobs are grouped into buckets, column 4, lines 54-58 and column 13, lines 56-60) comprising; inputting into a computer database a product schedule (i.e., model 144 organized as a database, column 12, lines 37-40 and column 11, lines 59-61); and inputting into said computer database new orders for products (i.e., scheduler 148 providing scheduling information and new orders 140, column 12, lines 40-44). Smirnov et al does not explicitly disclose matching said new orders with said product schedule. Kaneko et al disclose

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determining the number of new products to be added to the planned number of products in order to fulfill the restraint conditions (i.e., bundling of orders, column 9, lines 23-26 and column 18, lines 19-31). Both Smirnov et al and Kaneko et al are concerned with bundling products during production, in order to lower the product cost, therefore it would have been obvious to one having ordinary skill in the art at the time the invention was made to include determining whether said new orders and said scheduled products can be bundled in Smirnov et al, as seen in Kaneko et al, as an efficient means of planning the production schedule of a mixed product line, as disclosed by Kaneko et al (column 6, lines 38-44).

As per claim 7, Smirnov et al disclose rescheduling said product schedule (i.e., reschedule command 150 in response to order 140, column 12, lines 40-46).

Claim 10 is rejected based upon the rejection of claim 5, since it is the method claim corresponding to the system claim.

8. Claims 3, 4, 8, and 9 are rejected under 35 U.S.C. 103(a) as being unpatentable over Smirnov et al (USPN 6,321,133), in view of Kaneko et al (USPN 4,958,292), in further view of Mesaros (US 2003/0126040).

As per claim 3, neither Smirnov et al nor Kaneko et al disclose said system calculates price of said new orders based on bundling. Mesaros discloses sellers of products lowering prices of products for large quantity buyers, since the fixed costs associated with production is spread over more products (§ 0004). Smirnov et al, Kaneko et al, and Mesaros are concerned with bundling products during production,

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in order to lower the product cost, therefore it would have been obvious to one having ordinary skill in the art at the time the invention was made to include pricing the orders based upon bundling in Smirnov et al, as seen in Mesaros, as an effective way to distribute the fixed cost of producing the product over a larger quantity, as disclosed by Mesaros (§ 0004), thereby making Smirnov et al more efficient.

As per claim 4, neither Smirnov et al nor Kaneko et al disclose said system calculates in real time cost savings bundling said orders. Mesaros discloses an open session, wherein buyers 15 make a real time informed decision with respect to placing an order based on cost saving, determined via processor 100 (§ 0041-42). Smirnov et al, Kaneko et al, and Mesaros are concerned with bundling products during production, in order to lower the product cost, therefore it would have been obvious to one having ordinary skill in the art at the time the invention was made to include calculating real time cost savings in Smirnov et al, as seen in Mesaros, as an effective way to distribute the fixed cost of producing the product over a larger quantity, as disclosed by Mesaros (§ 0004), thereby making Smirnov et al more efficient.

Claims 8 and 9 are rejected based upon the rejections of claims 3 and 4, since they are the method claims corresponding to the system claims.

Conclusion

9. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

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-Baseman et al (USPN 6671673) disclose generating a strategic business plan to improve operations.

-Magrath (The Gatekeepers) disclose techniques manufactures can use to bargain with retailers and distributors.

-Goss (USPN 6236901) discloses parallel organized unit-by-unit manufacturing and assembly systems.

-Bacin et al (USPN 6684117) disclose providing a procedure for scheduling small sets of orders with similar characteristics.


-Andrews (USPN 6285986) discloses combining products or services from one or more vendors.


10. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Andre Boyce whose telephone number is (703) 305-1867. The examiner can normally be reached on 9:30-6pm M-F.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Tariq Hafiz can be reached on (703) 305-9643. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).


adb
April 17, 2005


TARIQ R. HAFIZ
SUPERVISORY PATENT EXAMINER
TECHNOLOGY CENTER 3623

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|-----------------------------------|---------------------------------------|--|-------------|
| Notice of References Cited | Application/Control No. 09/870,199 | Applicant(s)/Patent Under Reexamination HOFFMAN, ROGER | |
| | Examiner Andre Boyce | Art Unit 3623 | Page 1 of 1 |

U.S. PATENT DOCUMENTS

| * | | Document Number Country Code-Number-Kind Code | Date MM-YYYY | Name | Classification |
|---|---|--|-----------------|-------------------------|----------------|
| | A | US-6,236,901 | 05-2001 | Goss, Lois | 700/95 |
| | B | US-6,671,673 | 12-2003 | Baseman et al. | 705/7 |
| | C | US-6,321,133 | 11-2001 | Smirnov et al. | 700/100 |
| | D | US-6,684,117 | 01-2004 | Bacin et al. | 700/98 |
| | E | US-2003/0126040 | 07-2003 | Mesaros, Gregory J. | 705/26 |
| | F | US-4,958,292 | 09-1990 | Kaneko et al. | 700/106 |
| | G | US-6,285,986 | 09-2001 | Andrews, Christopher C. | 705/26 |
| | H | US- | | | |
| | I | US- | | | |
| | J | US- | | | |
| | K | US- | | | |
| | L | US- | | | |
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NON-PATENT DOCUMENTS

| * | | Include as applicable: Author, Title Date, Publisher, Edition or Volume, Pertinent Pages) |
|---|---|---|
| | U | Magrath, A.J., The Gatekeepers, Across the Board, Volume 29 Number 4, April 1992, pages 43-46, [DIALOG, File 15]. |
| | V | |
| | W | |
| | X | |

*A copy of this reference is not being furnished with this Office action. (See MPEP § 707.05(a).)
Dates in MM-YYYY format are publication dates. Classifications may be US or foreign.

DIALOG(R) File 15:ABI/Inform(R)
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00608241 92-23344

The Gatekeepers

Magrath, Allan J.

Across the Board v29n4 PP: 43-46 Apr 1992 CODEN: ACBODW ISSN: 0147-1554

JRNL CODE: CBR

DOC TYPE: Journal article LANGUAGE: English LENGTH: 4 Pages

SPECIAL FEATURE: Charts

WORD COUNT: 2437

GEOGRAPHIC NAMES: US

DESCRIPTORS: Distributors; Wholesalers; Success; Manufacturers; Dealers;
Customer relations; Factors

CLASSIFICATION CODES: 8600 (CN=Manufacturing industries not elsewhere
classified); 8303 (CN=Wholesale industry); 2400 (CN=Public relations);
9190 (CN=United States)

ABSTRACT: As the gatekeepers to end customers, major retail chains and wholesale distributor organizations dominate and control the US' marketing landscape to an extent that is seldom realized. Slowly, however, manufacturers are beginning to realize that they must contend with the gatekeepers if they are to grow brand sales and profits and earn a payback on new product investments. By selling through the big chains, RCA Consumer Electronics believed it could increase sales and profits. However, the chains demanded (and got) very low prices from the company but did not deliver the volumes to offset the margin losses. RCA also discovered that the big chains did not push its high-end products the way the smaller dealers always had. As chains have increased their presence in the marketplace, they have manifested their power by escalating their demands on manufacturers. To bargain with the gatekeepers, manufacturers need to know how to use 10 types of clout: including: 1. innovation, 2. assortment, 3. brand-identity, 4. profit-making, 5. bundling, 6. service-responsiveness, 7. training, 8. geographical, 9. quality, and 10. market-development.

TEXT: The power of major retail chains and wholesale distributor organizations is enormous and growing. As the gatekeepers to end customers, they dominate and control the American marketing landscape to an extent that's seldom realized. Slowly, however, manufacturers are beginning to wake up to the fact that they must contend with the gatekeepers if they are to grow brand sales and profits and earn a payback on new product investments.

For some, it has been a bitter lesson. Take the case of RCA Consumer Electronics. A decade ago, the company began selling to the giant mass merchandisers--such as Wal-Mart, Sears, K mart, and Circuit City--tempted by the market coverage such chains could provide for its televisions, videocassette recorders, and other products. The catch, though, was that the chains wanted to deal direct with RCA, thereby bypassing the company's exclusive distributors and raising the store margins.

RCA capitulated to the demand, gambling that the volumes the chains could deliver would offset any backlash it would incur from its distributors. In doing so, RCA, in effect, turned its back on its traditional sales base: the 25,000 small retail dealers that bought through its 70 exclusive distributors. Its rationale was simple. By selling through the big chains, the company believed, it could increase sales and profits.

Instead, RCA found that it had been mistaken on both points. The chains demanded (and got) very low prices from the company but didn't deliver the volumes to offset the margin losses. They advertised RCA's brands but often switched customers in the store to their own, even lower priced, private-label brands, thus boosting their own store margins. To compete with the chains, RCA's smaller dealers were forced to drop their prices. As a result of the lower margins, some dealers were driven out of business. RCA also discovered, to its dismay, that the big chains didn't push its high-end products the way the smaller dealers always had. Furthermore, the

high discounts off list price that RCA gave to the chains left little money to spend on brand advertising, so that the allure of the RCA brand dulled at the same time that sales for its new high-end products stalled and its margins collapsed. All told, it was not a wise strategy. Today, RCA has returned to a strategy emphasizing smaller dealers, brand advertising, and a push on high-end, high-margin products such as large-screen televisions.

A variety of manufacturers face the daunting task of dealing with giant retailers or wholesalers in a way that preserves their pricing structure, margins, and control over their brand image while letting them capitalize on the enormous consumer base offered by the Wal-Marts of this world. Alcoa, for instance, faces this dilemma in its aluminum-siding business, with the advent of large, multioutlet building product retailers such as Home Depot. Goodyear Tire & Rubber recently decided to expand its retail base beyond its current network of exclusive independent dealers and company stores by selling its lower-end tires through mass merchants such as Wal-Mart and Sears.

The problem isn't limited to consumer-products manufacturers. In industrial markets giant distributors act as gatekeepers to end customers in both general line supplies and in speciality items. Bearings and Graybar Electric hold powerful market positions in the bearing and electrical distribution business respectively. W.W. Grainger sells more than \$2 billion worth of industrial supplies through its 327 branches. In fact, Grainger has grown so large that it has its own satellite for internal and external communications.

As chains have increased their presence in the marketplace, they have manifested their power by escalating their demands on manufacturers. From asking for simple large-volume price discounts from suppliers they have moved to demanding a variety of complex financial concessions. These include slotting allowances (to gain warehouse space), shelf-listing fees (for retail shelf space), co-op promotional monies (to underwrite advertising campaigns), and rebates (to reward large annual purchases). All of these concessions, of course, mean reduced profits for the manufacturers.

To put it bluntly, powerful landlords--the major chains and distributors--are charging exorbitant rent to their tenants--the manufacturers.

So intense is the competition for the chains' shelf space (or catalogue space, in the case of industrial distributors) that most companies make the concessions. Unhappily for manufacturers, the requests for concessions keep coming as chains learn how to leverage their information power more effectively.

Thanks to checkout scanning systems, for example, retail chains often know considerably more about how a manufacturer's brand is selling than the brand-maker itself does. The moment shelf movement slows for the manufacturer's brand, the chains demand either steeper "rent" to offset slower inventory turnover, or additional promotions or merchandising aids to boost sales. If the manufacturer refuses, the retail chains may stop selling the brand entirely.

In this dismal scene, manufacturers need to know how to bargain with the gatekeepers. Here are 10 trump cards they can play:

* INNOVATION CLOUT. Chains gravitate to manufacturers who continually come out with new, unique products. The reason? Customers are less price sensitive to new product offerings, so retailers are able to generate better-than-average margins. New product powerhouses such as Sony, Black & Decker, Rubbermaid, 3M, Fisher-Price, and Braun use the new product trump card to leverage their position with dealers, distributors, and retailers. Gillette, for example, has seen its new Sensor razor rack up sales of 24 million razors and 350 million blade cartridges worldwide. Because of its innovativeness over the years, Gillette often gets prime shelf space that other companies would have to pay dearly for. Pillsbury has revitalized stagnant sales in its mature refrigerated baked goods line with new

products such as Cornbread Twists, its most successful item in 25 years. Similarly, Levi Strauss has boosted its profile with powerful department stores by introducing Dockers casual clothing, which, after only five years, has annual sales of more than \$800 million.

In addition, new products often allow smaller manufacturers to hold their place on the retailers' shelf. Gibson Greetings, the smallest-share player in the United States greeting card business, has boosted its power with retailers by being the first to market an entire line of gift wrap made from water-soluble inks and recycled and recyclable paper.

* **ASSORTMENT CLOUT.** Dominating a product category with the most choices is a surefire way to build distribution clout. Kellogg, Wrigley, Frito-Lay, and Stanley Works use this strategy in consumer markets (cereal, chewing gum, snack foods, and handtools respectively); Amp (in connectors), Honeywell (in industrial controls), and Toshiba (in laptop computers) do so in office and industrial markets. If a company offers the right combination of sizes, flavors, constructions, or feature assortments of a product, it increases the distributor's cost of switching to another manufacturer. In order to displace the company's offerings, the distributor often must sign on multiple niche vendors that each cover only part of the product category.

* **BRAND-IDENTITY CLOUT.** Chains want to stock brands that have distinct and appealing images. Brands with cachet or mystique draw new customers and attract loyal repeat buying. Manufacturers who neglect a brand franchise and don't keep it contemporary risk imperiling this intangible asset. While brand identities such as Coca-Cola, Rolex, and BMW are recognized as valuable assets, branding is just as vital for more narrow markets. Snap-On Tools' brand equity is very high with mechanics. Loctite's branded adhesives stand for performance to industrial buyers. Michelin stands for durability and safety to tire shoppers. When brands matter to customers, distributors want to piggyback on them. If a manufacturer diverts too much funding to short-term promotion from brand-equity building, it will find its hold on distribution weakening.

* **PROFIT-MAKING CLOUT.** Manufacturers who appeal to their distributors' profit formulas can gain influence and power. Especially effective are strategies that help the distributor reduce inventories, improve inventory turnover, and avoid markdowns. Haggar Apparel and Arrow Shirt have worked hand in hand with their retailers to generate faster and more accurate reorders. This has allowed retailers--such as Montgomery Ward and K mart--to operate closer to a just-in-time basis while lowering their net inventory investments per sales dollar.

In an industrial setting, Wiremold, an electrical products manufacturer, has used creative financial supports for distributors to strengthen its hold on these channels. Wiremold lets its distributors return up to 5 percent of a previous year's purchases as long as they order twice as much inventory as they return. Distributors like the arrangement because it allows them to hold down write-offs of obsolete stock while making inventory investments in faster-moving products. In return, Wiremold gains distribution credibility and increases the likelihood that distributors will order the company's newer products .

* **BUNDLING CLOUT.** Another way to increase your leverage over big chains is to bundle products from multiple divisions in the company, offering retailers the advantage of package discounts and co-promotions, and saving them time in ordering. By bundling Kraft and General Foods products, Philip Morris has gained clout across grocery departments. In refrigerated foods, for instance, Kraft has Velveeta cheese and General Foods has Oscar Mayer meats; in frozen foods, Kraft has Budget Gourmet dinners and General Foods has Jell-O Pudding Pops. 3M uses this tactic with office stationers, who carry products from four of its divisions: Scotch tape and Post-it notes from one, magnetic media diskettes and data cartridges from another, transparencies and overheads from a third, and aerosol adhesives and packaging tapes from a fourth.

* **SERVICE-RESPONSIVENESS CLOUT.** Manufacturers that develop a reputation for

logistical proficiency and service are often given favored status by retailers. Caterpillar has done this with its worldwide parts delivery system, which guarantees delivery anywhere in the world in 48 hours. Steelcase has built an enviable track record with dealers for on-time delivery, minimum back orders, and quick responses to emergency demands. Likewise, Kodak and Corning are both setting up partnerships with Wal-Mart to develop optimum arrangements for inventories, promotions, and deliveries. Hallmark Cards does an outstanding job on logistics in greeting cards, smoothly supplying retailers with thousands of card variations and keeping card inventories up to date with the changing seasons.

Electronic quick-response systems also help cement retailer relationships. The systems, often called computer-to-computer ordering, hook up a retailer's in-store cash registers with the manufacturer's inventory and order-processing systems, letting data be passed back and forth. The systems provide rolling sales forecasts, which help the retailer keep just the right amount of inventory on hand. Levi Strauss, for instance, uses its LeviLink, an electronic data-interchange system, with a variety of national discount merchandise chains, including Sears and J.C. Penney. This system helps insure that the right assortment of jeans and other Levi products is always on stock at the retail store by connecting cash-register information to **production schedules** at Levi Strauss.

* **TRAINING CLOUT.** Working to improve the selling skills of distributors can be a great clout builder for a supplier. Compaq Computer runs training classes for its retail dealers; recently, for instance, it trained 8,300 dealer salesmen on Systempro, a new highend computer. Lincoln Electric educates its distributors' representatives about the science of arc welding so they can better sell the company's arc-welding supplies. Goodyear trains its retail store managers on the attributes of its new products. And Armstrong World educates retail salesmen in the art of selling and merchandising the company's tile and flooring products.

* **GEOGRAPHICAL CLOUT.** Manufacturers with national or global presence have distinct scale advantages in marketing costs. They can spread fixed advertising, selling, and product-development costs over more volume than regionally based firms. The companies can use these scale advantages to enhance their reputation with retailers or dealers. For instance, television ads developed for the manufacturer can be "signed" when aired locally with the chain store's own logo and message. Sealy is personalizing its dealers' ads for bedding products in this way, while also providing dealers with help from its ad agency in buying media spots. Rubbermaid is running its retailers' logos on some of its national newspaper advertising. The company is also offering to reimburse retailers for part of the **cost** of their advertisements if they feature specific Rubbermaid products.

Two companies that use their strong geographic clout to boost power with distributors are Anheuser-Busch and Nike. Regional brewers, such as Heileman, are at a distinct disadvantage to Anheuser-Busch, which can afford to spend millions more on advertising and promotions. Nike's increasing presence in the global market is opening up new retail channels for it in Europe and strengthening its position in the United States to the detriment of Adidas and Puma, whose U.S. presence has weakened over time.

* **QUALITY CLOUT.** Having a product that is judged to be "best of class" on quality provides real bargaining power. Although such brands may not be the best known or the largest sellers, distributors and retailers want to share the halo effect of a quality reputation. Apparel retailers gladly showcase Patagonia outdoor clothing, even if other more moderately priced brands outsell it. The same is true for Vuarnet sunglasses, Burberry raincoats, Cross writing instruments, and Ping putters and irons. Sometimes manufacturers of state-of-the-art products do have the number one share of their market, as with Apple Computer in desktop publishing and Sony in portable tape players. But share and quality leadership are not synonymous, as witnessed by Maytag, whose name stands for quality but whose sales are outstripped by Whirlpool.

* **MARKET-DEVELOPMENT CLOUT.** Manufacturers often want chains to show more

enthusiasm for their products than the chains feel is warranted by existing demand. In these cases, a manufacturer can woo its end customers, so that demand escalates more rapidly. W.L. Gore & Associates did this with its Gore-Tex fabric, creating demand for garments with Gore-Tex in them by holding in-store demonstrations using Gore sales representatives, gathering endorsements from well-known skiers and ski teams, giving retailers garment hang tags to stimulate word-of-mouth referrals, and creating posters showing Gore-Tex clothing for use in sports shops and store windows. Gore's efforts increased consumer demand and solidified the distribution pipeline for Gore-Tex clothing.

Similarly, until General Electric developed greater customer demand for its energy- **saving** light bulbs, retailers' attitudes toward the product were skeptical, despite General Electric's longtime responsiveness to the chains. In the industrial market, 3M often uses the market-development strategy. For its line of liquid filtration products, for instance, the company's sales force worked extensively with end customers in developing and testing new applications. As a result, distributors were eager to carry the product line to fill consumers' growing application needs.

Allan J. Magrath is director of marketing services at the Canadian subsidiary of a Fortune-500 global manufacturing company. He is author of five books, his most recent being *Six Imperatives of Marketing: Lessons From the World's Best Companies* (Amacom Books).

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